

WHEREAS, ORS examined the books and records of the Company relative to the matters raised in the Application and, in connection therewith, has requested of and received from the Company additional documentation;

WHEREAS, the Parties have varying legal positions regarding the issues in this case;

WHEREAS, the Parties have engaged in discussions to determine if a settlement of the issues would be in their best interests; and

WHEREAS, following those discussions the Parties have each determined that their interests and the public interest would be best served by stipulating to a comprehensive settlement of all issues pending in the above-captioned case under the terms and conditions set forth herein;

NOW, THEREFORE, the Parties hereby stipulate and agree to the following terms, which, if adopted by the Commission in its Order on the merits of this proceeding, will result in rates and terms and conditions of sewer service which are adequate, just, reasonable, nondiscriminatory, and supported by the evidence of record of this proceeding, and which will allow the Company the opportunity to earn a reasonable rate of return.

1. The Parties agree that no documentary evidence will be offered in the proceeding by the Parties other than: (1) the Application filed by the Company; (2) the exhibits to the testimony referenced in paragraph 2 herein below; and (3) this Settlement Agreement with Exhibits A and B attached hereto. This limitation does not include further documentary evidence submitted by the Company to prove additional rate case expenses.

2. The Parties stipulate and agree to include in the hearing record of this case the pre-filed direct testimony of M. Elizabeth Ford, Christina L. Seale, Brian P. Devine, and Thomas J. Roberts as well as the Rebuttal Testimony of Brian P. Devine and Surrebuttal Testimony of

Christina L. Seale including all exhibits attached to the pre-filed testimony, without objection or cross-examination. Further, the parties agree to include in the hearing record of this case without objection or cross examination the settlement testimony of witnesses M. Elizabeth Ford and Brian P. Devine to be filed in this docket by the Parties prior to the hearing in this matter.

3. The Parties stipulate and agree that the accounting exhibit prepared by ORS and attached hereto as Exhibit A fairly and reasonably set forth the Company's operating expenses, pro forma adjustments, depreciation rates, plant in service, Operating Margin, and revenue requirement.

4. The Parties stipulate and agree that the rate schedule attached hereto as Exhibit B, including the rates and charges and terms and conditions of service, are fair, just, and reasonable. The Parties further stipulate and agree that the flat rate of \$37.00 per month contained in said rate schedule is reasonably designed to allow the Company to provide service to its customers at rates and terms and conditions of service that are fair, just and reasonable and will allow Aqua the opportunity to recover the revenue required to earn a fair return on its investment.

5. The Company agrees to file with the Commission a performance bond in the amount of \$140,000 within 30 days of the Commission's order.

6. The Company agrees to request a waiver from the Commission for S.C. Code Regs. 103-530 which requires Aqua to maintain a local office in the state of South Carolina.

7. The Company will ensure that its bill form is in compliance with S.C. Code Regs. 103-532. If changes to the bill form cannot be made by its billing agent, Aqua agrees to request a waiver of S.C. Code Regs. 103-532 from the Commission.

8. ORS is charged by law with the duty to represent the public interest of South Carolina pursuant to S.C. Code § 58-4-10(B) (added by Act 175). S.C. Code § 58-4-10(B)(1) through (3) reads in part as follows:

... 'public interest' means a balancing of the following:

- (1) concerns of the using and consuming public with respect to public utility services, regardless of the class of customer;
- (2) economic development and job attraction and retention in South Carolina; and
- (3) preservation of the financial integrity of the State's public utilities and continued investment in and maintenance of utility facilities so as to provide reliable and high quality utility services.

ORS believes the agreement reached between the Parties serves the public interest as defined above. The terms of this Settlement Agreement balance the concerns of the using public while preserving the financial integrity of the Company. ORS also believes the Settlement Agreement promotes economic development within the State of South Carolina. The Parties stipulate and agree to these findings.

9. In its Application, Aqua has requested, based on the adjustments of ORS, an increase in annual revenues of \$108,838.08, based on current test year calculated revenues of \$100,368.00 and test year proposed revenues of \$209,206.08. As a compromise to positions advanced by ORS and Aqua, the Parties stipulate and agree to an increase in annual revenues of \$80,784.00, said increase to be based upon the adjustments reflected in the testimony of Christina L. Seale and the operating margin stipulated to by the Parties in Paragraph 10 below.

10. The Company and ORS recognize the value of resolving this proceeding by settlement rather than by litigation and, therefore stipulate and agree for purposes of settlement in this case that a operating margin of 12.25% is just and reasonable under the specific

circumstances of this case, including the size and location of the system, and in the context of a comprehensive settlement.

11. The Parties further stipulate and agree that the stipulated testimony of record, the Application, and this Settlement Agreement conclusively demonstrate the following: (i) the proposed accounting and pro forma adjustments and depreciation rates shown on Exhibit A hereto are fair and reasonable and should be adopted by the Commission for ratemaking and reporting purposes; (ii) a operating margin of 12.25%, which yields an annual increase in revenues of approximately \$80,784, is fair, just, and reasonable when considered as a part of this stipulation and settlement agreement in its entirety; (iii) Aqua's services are adequate and being provided in accordance with the requirements set out in the Commission's rules and regulations pertaining to the provision of sewer collection services, and (iv) Aqua's rates as proposed in this Settlement Agreement are fairly designed to equitably and reasonably recover the revenue requirement and are just and reasonable and should be adopted by the Commission for bills rendered by the Company after June 1, 2009.

12. The Parties further agree and stipulate that the rate schedule attached hereto as Exhibit B, including the rates and charges and the terms and conditions set forth therein, are just and reasonable, reasonably designed, and should be approved and adopted by the Commission.

13. Aqua further agrees and stipulates that it will file with ORS all required information, data and reports required under the Commission's Regulations on an annual or regular basis in a timely manner and shall keep in place or file performance bond(s) in amounts determined to be adequate by ORS for sewer service.

14. The Parties agree to advocate that the Commission accept and approve this Settlement Agreement in its entirety as a fair, reasonable and full resolution of the above-

WE AGREE:

Representing the Office of Regulatory Staff

Shealy Boland Reibold

Shealy Boland Reibold, Esquire

Jeffrey M. Nelson, Esquire

Office of Regulatory Staff

1401 Main Street (Suite 900)

Columbia, SC 29201

Phone: (803) 737-0877

Fax: (803) 737-0895

E-mail: sreibol@regstaff.sc.gov

E-mail: jnelson@regstaff.sc.gov

WE AGREE:

Aqua South Carolina



Scott Elliott, Esq.
Elliott & Elliott, P.A.
721 Olive Street
Columbia, SC 29205
Phone: (803) 771-0555
Fax: (803) 771-8010
E-mail: selliott@elliottlaw.us

Aqua South Carolina, Inc.
Docket No. 2009-12-S
Operating Experience and Operating Margin
For the Test Year Ended June 30, 2008

	(1)	(2)	(3)	(4)	(5)
	Application Per Books	ORS's Proposed Accounting & Pro forma Adjustments	After ORS's Proposed Accounting & Pro forma Adjustments	Applicant's Proposed Increase	After Applicant's Proposed Increase
<u>Operating Revenues</u>					
Sewer Service	99,283	1,085 (A)	100,368	80,784 (K)	181,152
<u>Total Operating Revenues</u>	\$ 99,283	\$ 1,085	\$ 100,368	\$ 80,784	\$ 181,152
<u>Operating Expenses</u>					
Salaries, Wages & Benefits	\$ (2,118)	\$ 2,118 (B)	\$ 0	\$ 0	\$ 0
Contractual Services - A&G	116,116	(4,148) (C)	111,968	5,642 (L)	117,610
O&M Management	25,542	(13,410) (D)	12,132	0	12,132
Other	14,085	(13,987) (E)	98	0	98
Bad Debt	235	0	235	191 (M)	426
Depreciation	3,641	(418) (F)	3,223	0	3,223
Rate Case	0	6,816 (G)	6,816	0	6,816
Other Taxes	795	(25) (H)	770	599 (N)	1,369
Income Taxes (State and Federal)	(22,177)	22,177 (I)	0	13,747 (O)	13,747
<u>Total Operating Expenses</u>	\$ 136,119	\$ (877)	\$ 135,242	\$ 20,179	\$ 155,421
<u>Net Operating Income (Loss)</u>	\$ (36,836)	\$ 1,962	\$ (34,874)	\$ 60,606	\$ 25,731
Less: Interest Expense	5,620	(2,082) (J)	3,538	0	3,538
<u>Total Income (Loss) for Return</u>	\$ (42,456)	\$ 4,044	\$ (38,412)	\$ 60,606	\$ 22,193
<u>Operating Margin</u>	<u>-42.76%</u>		<u>-38.27%</u>		<u>12.25%</u>

AQUA SOUTH CAROLINA, INC.
Docket 2009-12-S
Schedule of Rates and Charges

MONTHLY CHARGES

	<u>Current</u>	<u>Settlement Rate</u>
Residential - charge per single-family house:	\$20.50	\$37.00
Commercial:	\$20.50 per SFE*	\$37.00

NONRECURRING CHARGES:

	<u>Current</u>	<u>Settlement Rate</u>
Sewer Tap Fee (Outside Brookside Village Subdivision)	\$400 per SFE*	\$500 per SFE*
New Customer Account Charge	\$20.00	\$20.00

The Utility shall have no obligation at its expense to extend its utility service lines or mains in order to permit any customer to discharge acceptable wastewater into one of its sewer systems. However, anyone or any entity which is willing to pay all costs associated with extending an appropriately sized and constructed main or utility service line from his/her/its premises to an appropriate connection point, to pay the appropriate fees and charges set forth in this rate schedule and to comply with the guidelines and standards hereof, shall not be denied service, unless treatment capacity is unavailable or unless the South Carolina Department of Health and Environmental Control or other government entity has restricted the Utility from adding for any reason additional customers to the serving sewer system. In no event will the Utility be required to construct additional wastewater treatment capacity and/or lines to serve any customer or entity without an agreement acceptable to the Utility first having been reached for the payment of all costs associated with adding wastewater treatment capacity and/or to the affected sewer system.

* A Single Family Equivalent (SFE) shall be determined by using the South Carolina Department of Health and Environmental Control Guidelines for Unit Contributory Loading for Domestic Wastewater Treatment Facilities -- 25 S.C. Code Ann. Regs. 61-67 Appendix A (Supp. 2006), as may be amended from time to time. Where applicable, such guidelines shall be used for determination of the appropriate monthly service and tap fee.

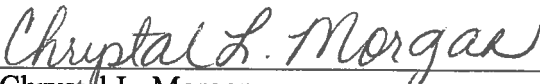
The Utility shall give the Commission thirty days notice of its intent to pass-through to customers treatment charges which are higher than those in effect at the times of the Commission's approval of the within rate schedule. The Utility shall provide with such notice written documentation of an increase by the provider of treatment services justifying the increase in the amount of treatment charges sought to be passed-through to affected customers. In the event that an increase in the amount of treatment charges to be passed through to customers is found by the Commission to be so justified, the utility will then be required to give customers advance notice before the increase in the treatment charges to be passed through may be put into effect.

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2009-12-S

IN RE:)	
Application of Aqua South Carolina for Approval)	CERTIFICATE OF
of a New Schedule of Rates and Charges for)	SERVICE
Sewerage Services Provided to Customers)	
in Spartanburg County		

This is to certify that I, Chrystal L. Morgan, an employee with the Office of Regulatory Staff, have this date served one (1) copy of the **SETTLEMENT AGREEMENT** in the above-referenced matter to the person(s) named below by causing said copy to be deposited in the United States Postal Service, first class postage prepaid and affixed thereto, and addressed as shown below:

Scott Elliott, Esquire
Elliott & Elliott, P.A.
721 Olive Street
Columbia, SC, 29205



Chrystal L. Morgan

May 22, 2009
Columbia, South Carolina